

Taxation in the Future – A New EU: Vision and Impact

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[Piergiorgio Valente](#) ([Crowe Valente/Valente Associati GEB Partners](#); [Link Campus University, Rome](#))

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The Change of Scenery

On 1 December 2019, the von der Leyen Commission took over for the coming 5 years, and it is called to deliver on a most challenging mandate.

The European identity is questioned more than ever before, with Brexit being just one of the several signs. The established structures of the EU and global economy are also questioned. Unprecedented technological developments threaten with unemployment millions of people and demand rapid evolution of new skills, while promising widespread prosperity and unknown potential for humankind. Digitalization keeps alleviating cultural differences; at the same time though, nationalist movements are getting stronger and stronger. Climate change is present, undeniable reality, already in the process to overhaul the face of our planet.

It is clear that the scenery is changing for the global society and for the EU. And change is the opportunity to account for the achievements so far and plan the next steps, building on the lessons from past mistakes.

In this context and focusing on the tax aspect, the purpose of this article is to provide a brief account of the work done in the area of EU taxation the past 5 years. Furthermore, and most importantly, the purpose is to outline the key pillars to lead the EU developments in taxation in the next 5 years.

Revising the Past

The Juncker Commission is leaving behind it a new landscape in the EU tax area. In fact, it delivered on one of the heaviest tax portfolios in the history of the Commission and it is not questioned that it did well.

The outgoing Commission has been the Commission to follow the Base Erosion and Profit Shifting (BEPS) Project. While this has been an international initiative, its implementation at EU level in a coordinated manner has been a challenge per se that required a series of legislative initiatives, including the [Anti-Tax Avoidance Directive](#) and amendments to the [Directive on Administrative Cooperation in the field of taxation](#) (DAC). In addition, the EU can boast that it exceeded and enhanced the international standard in the fight against BEPS and the promotion of tax good governance at global level, e.g. through the EU listing process.

Apart from BEPS, the outgoing Commission delivered important improvements in the field of international cooperation between the tax authorities of Member States. This was achieved through the widening of the scope of DAC, enabling new sources of information and ensuring that they reach all relevant tax authorities. The landscape looks indeed more transparent than ever before. Equally, tax dispute resolution has been enhanced beyond precedent with the adoption of the [Directive on tax dispute resolution mechanisms](#). The important

coordination in the VAT area is also in the positive side of the account with significant implications for the competitiveness of the Single Market.

Nevertheless, the outgoing Commission was far more ambitious. Evidence are three key initiatives that are pending and shall be for the next Commission to assess and take forward:

- the relaunch of the [Common Consolidated Corporate Tax Base](#) in a 2-step adoption process;
- the [Digital Tax Package](#) to address the issue of taxation of the digital economy in a coordinated manner across the Single Market;
- the [proposal for a Qualified Majority Vote](#) to legislate in the tax area, instead of the currently applicable requirement for unanimous decisions.

New Beginnings

Having in mind the missions accomplished and those still not, it is high time to consider the EU taxation of the future.

For such exercise, due weight must be attached to the global context, the rising powers, the value of information, as well as to broad policy concerns, such as climate change. Three areas can be particularly distinguished as priorities:

- tax certainty;
- tax competitiveness;
- interaction between tax and other policy issues.

First, tax certainty. Although it has been an acknowledged priority in a stable manner in the last years, it can still not be taken as given. In fact, the voices sound multiplied that tax certainty is undermined in the EU. The load of fiscal state aid cases opened by the outgoing European Commission serves as an argument in this respect. Irrespective of the merit of the decisions taken by the Commission in the aftermath of its investigations, the result has been to cast doubt on Member States decisions and practices established for the very purpose of strengthening tax certainty. Streamlining the fiscal state aid front cannot but be a priority in the next years towards certainty and predictability in the Single Market and mutual trust between EU institutions and Member States. It is even more important in a tax landscape that is being overhauled all around the world.

Second, the EU has always sought to increase competitiveness of the tax environment and it has won many of the battles fought. Yet, the war is not over: the EU tax framework remains significantly fragmented, especially in the direct tax area. Further coordination is necessary and to this end the CCCTB initiative could serve as compass. Compromise seems indeed the sole way to progress. In this respect, the aforementioned proposal to revise the requirement for unanimity vote in the tax area should also be duly considered.

Third, tax is a key parameter and incentive for the promotion of sustainable growth. It cannot and must not be viewed in isolation from broader policy areas or as an end in itself. Instead, it could and should be the means to incentivize the construction and maintenance of a sustainable environment where humanity can flourish. Indicatively, tax incentives for environment friendly technologies and/or practices could be used more widely at EU level, under the climate change threat.

Conclusion

The new Commission has inherited high standards to meet and important responsibility. In a controversial political and tax environment, it has to take up the challenge to envision and shape the EU taxation of the future, of the information era, of the era of artificial intelligence and data. The fluidity of the context can be its ally, a unique opportunity for a real positive impact on the world.

To this end, the [principles](#) that have been set by the new Commission to inspire its mandate are very relevant. These include a European green deal, an economy that works for people, a Europe fit for the digital age.

It is not questionable that this is the right direction. It is also not questionable that it is not going to be an easy way out. It is for the EU but not only, that the Commission must achieve the ambitions it has set.